

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1693 - SB 1382

March 26, 2011

SUMMARY OF BILL: Requires the Tennessee Higher Education Commission (THEC) in consultation with the Tennessee Board of Regents (TBR) and the University of Tennessee (UT) to develop a tuition waiver program for in-state students who have been out of school for five or more years but who need to complete four or fewer courses to get their bachelor degrees. The waiver shall be given only for the final four courses. Students who meet the five year or more eligibility requirement but who have more than four courses to complete may receive a waiver for their final four courses. Any student who receives the tuition waiver but fails to graduate within two years of returning to school shall repay the full amount of the tuition waived.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - \$7,170,900

Forgone State Revenue - \$34,861,100

Assumptions:

- TBR and UT assume that no student who has been absent from school prior to 1995 will return meaning they have been inactive for 15 or more years. The fiscal note is based on the student population from 1995 to 2005.
- According to TBR, there were 25,260 students in school between 1995 and 2005, who did not graduate, and had 108 or more credit hours. About four percent of those (1,010) will return naturally to complete their degree in the absence of this bill. TBR estimates that with the tuition waiver, 20 percent, or 5,052 of the 25,260 students will return.
- Of the 5,052, 1,010 would have returned naturally. For these students, TBR would have collected tuition from them in the absence of this bill.
- The average cost of 12 hours at TBR universities is \$2,412.
- The decrease in state revenue at TBR will be \$2,436,120 (\$2,412 x 1,010).
- A total of 4,042 students (5,052 – 1,010) will return to TBR institutions who would not have returned naturally.
- TBR estimates that 11,896 students were in school between 1995 and 2005 and had between 90 and 107 credit hours. With the tuition waiver, TBR estimates that 10 percent of these students will return (1,190 students) and of the 10 percent, 50 percent (595 students) will drop out before reaching their final four courses.

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- A total of 4,637 (4,042 + 595) students will return and receive the tuition waiver at TBR institutions who would not have returned in the absence of this bill. For these students, state revenue will be forgone.
- Total forgone state revenue at TBR will be \$11,184,444 ($\$2,412 \times 4,637$).
- According to UT, there were 40,131 students in school between 1995 and 2005, who did not graduate, and had 108 or more credit hours. Approximately four percent of those (1,605) will return naturally to complete their degree in the absence of this bill. UT estimates that with the tuition waiver, 20 percent of the 40,131 will return; 8,026 students.
- Of the 8,026, 1,605 would have returned naturally. For these students, UT would have collected tuition from them in the absence of this bill.
- The average cost of 12 hours at UT universities is \$2,950.
- The decrease in state revenue at UT will be \$4,734,750 ($\$2,950 \times 1,605$).
- A total of 6,376 students (8,026 – 1,650) will return to UT institutions who would not have returned naturally.
- UT estimates that 32,987 students were in school between 1995 and 2005 and had between 90 and 107 credit hours. With the tuition waiver, UT estimates that 10 percent of these students will return (3,299 students) and of the 10 percent, 50 percent (1,650 students) will drop out before reaching their final four courses.
- A total of 8,026 (6,376 + 1,650) students will return and receive the tuition waiver at UT institutions who would not have returned in the absence of this bill. For these students, state revenue will be forgone.
- Total forgone state revenue at UT will be \$23,676,700 ($\$2,950 \times 8,026$ students).
- The total decrease in state revenue will be \$7,170,870 ($\$2,436,120$ TBR + \$4,734,750 UT).
- The total forgone state revenue will be \$34,861,144 ($\$11,184,444$ TBR + \$23,676,700 UT).
- UT and TBR estimate that no tuition waivers will be repaid since funding is the number one reason why students with four or fewer courses to complete leave school.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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